

Message Text

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17

ACTION ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 SWF-02 PA-04

USIA-15 PRS-01 IO-14 DRC-01 /185 W

----- 016252

R 141636Z MAY 74

FM AMEMBASSY CARACAS

TO AMEMBASSY PORT AU PRINCE

INFO SECSTATE WASHDC 3799

C O N F I D E N T I A L CARACAS 4312

E.O. 11652: GDS

TAGS: EAID, ENRG, HA, VE

SUBJECT: HAITIAN PLAN TO REQUEST AID FROM VENEZUELA ON PETROLEUM COSTS

REF: PORT AU PRINCE 854

1. EMBASSY DOUBTS THAT VENEZUELA GOVERNMENT WOULD WISH TO SET UP PL 480-TYPE AID PROGRAM IN HAITI, UNDER WHICH ALL MONEY THAT HAITI WOULD OTHERWISE PAY FOR OIL WOULD BE DEPOSITED IN A SPECIAL AID FUND IN HAITI. UNDER SUCH A SCHEME VENEZUELA WOULD RECEIVE NO PAYMENT FOR ANY OF ITS OIL SALES TO HAITI FOR 30 YEARS.

2. EMBASSY'S UNDERSTANDING OF VENEZUELAN INTENTIONS VIS-A-VIS OIL IMPORTING COUNTRIES IN LATIN AMERICA IS THAT VENEZUELA EXPECTS TO LIGHTEN SOMEWHAT OIL IMPORT BURDEN ON LDC'S THROUGH VARIOUS KINDS OF LOAN ARRANGEMENTS BUT DOES NOT CONTEMPLATE SCHEMES OF SUCH MAGNITUDE AS WOULD OFFSET ENTIRE IMPORT COST OF VENEZUELAN OIL. FURTHERMORE, EMPHASIS OF MUCH OF VENEZUELAN PROGRAM WILL BE ON OFFERING LOANS THROUGH SPECIAL FUNDS SET UP IN INTERNATIONAL LENDING ORGANIZATIONS SUCH AS INTERAMERICAN DEVELOPMENT BANK, CONFIDENTIAL

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IMF, AND REGIONAL DEVELOPMENT AUTHORITIES SUCH AS CARIBBEAN AND

CENTRAL AMERICAN DEVELOPMENT BANKS AND ANDEAN DEVELOPMENT CORPORATION.

3. IN ADDITION TO LOANS THROUGH INTERNATIONAL ORGANIZATIONS, VENEZUELA WILL APPARENTLY ALSO CONSIDER UNDERTAKING FINANCING OF SELECTED DEVELOPMENT PROJECTS. THUS FAR, VENEZUELAN AUTHORITIES HAVE MENTIONED POSSIBILITY OF FINANCING A REFINERY IN COSTA RICA AND A WOODPULP PROJECT IN HONDURAS, BUT BOTH OF THESE POSSIBILITIES ARE STILL UNDER STUDY.

4. IN CASE OF HAITI, EMBASSY WOULD ASSUME THAT IT LIKE OTHER LA OIL IMPORTERS, COULD HOPE TO RECEIVE SOME FINANCING FROM VENEZUELA FOR ITS OIL IMPORT REQUIREMENTS, BUT PROBABLY ONLY ENOUGH TO OFFSET A PORTION OF INCREASED BURDEN THAT RESULTS FROM HIGHER OIL PRICES. MOST OR ALL WOULD PROBABLY COME THROUGH INTERNATIONAL ORGANIZATIONS. OF COURSE, ALL OF THIS IS SPECULATIVE AT THIS TIME AND MAGNITUDE OF VENEZUELAN RESPONSE MAY DEPEND ON HOW MUCH PRESSURE IT RECEIVES FROM OIL IMPORTING NATIONS. CLEARLY, VENEZUELA AND OTHER OIL PRODUCING

COUNTRIES WOULD LIKE TO REAP MAXIMUM CREDIT FOR AN EFFECT THAT FALLS FAR SHORT OF SOLVING THE PROBLEM AND THAT WOULD LEAVE IN THEIR OWN HANDS AS MUCH BENEFIT AS POSSIBLE FROM INCREASING OIL PRICES.

5. ALTHOUGH PROSPECTS FOR VENEZUELA'S AGREEING TO HAITIAN PROPOSAL DO NOT LOOK GOOD TO THIS EMBASSY, WE CAN SEE NO REASON WHY HAITIANS SHOULD NOT MAKE THEIR APPROACH TO VENEZUELA AS OUTLINED. IT WILL BE UP TO DEPT. TO GIVE GUIDANCE, BUT EMBASSY CARACAS WOULD ASSUME THAT IT WOULD BE PREFERABLE FOR U.S. GOVERNMENT NOT TO BE INVOLVED IN ANY WAY WITH HAITIAN APPROACH TO VENEZUELAN GOVERNMENT FOR ASSISTANCE, EVEN BY WAY OF GIVING ADVICE ON LIKELIHOOD OF SUCCESS. MAXIMIZING THE PRESSURE ON VENEZUELA FROM LATIN OIL IMPORTING NATIONS IS LIKELY TO RESULT IN MORE EFFECTIVE PROGRAM OF ASSISTANCE FROM VENEZUELA, OR PERHAPS EVEN PRICE REDUCTIONS IF SUFFICIENT PRESSURE IS GENERATED (ALTHOUGH VENEZUELA IS STRONGLY RESISTING PRICE CUTS OR DIFFERENTIAL PRICES AT THIS TIME). BUT MUCH OF GOOD EFFECT WOULD BE DISSIPATED IF IT WOULD APPEAR THAT U.S. GOVERNMENT WAS IN ANY WAY CONNECTED WITH PRESSURE BROUGHT BY OIL IMPORTING LDC'S.

6. HAITIAN GOVERNMENT SHOULD NOT BE TOO ENCOURAGED BY LETTER FROM
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LEONARDO MOLEIRO OF CVP OFFERING ASSISTANCE" ... IN PLANNING HAITI'S DEMAND FOR OIL PRODUCTS IN COMING YEAR." CVP ONLY HAS AUTHORITY TO SELL OIL FOR CASH, AND MOLEIRO'S STATEMENT WAS PROBABLY RELATED TO MARKETING EFFORT BY CVP, WHICH WOULD LIKE TO BROADEN ITS MARKETING POSSIBILITIES ABROAD. UNDER NEW VENEZUELAN GOVERNMENT, EDUARDO CASTRO HAS REPLACED MOLEIRO AS CVP'S DIRECTOR OF INTERNATIONAL NEGOTIATIONS.
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